86-590

No. ____

Supreme Court, U.S.
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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1986

UNIVERSAL CITY STUDIOS, INC.,

*Petitioner,*

—against—

NINTENDO CO., LTD. AND NINTENDO OF AMERICA, INC.,

*Respondents.*

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

## PETITION FOR A WRIT OF CERTIORARI

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56 pp

## QUESTIONS PRESENTED

The Court of Appeals for the Second Circuit upheld an attorney's fee award against petitioner of more than $1.1 million, and hundreds of thousands of dollars more in purported state law punitive damages. The sole premise for these sanctions was petitioner's assertion of a federal statutory claim of trademark infringement. The claim was asserted on advice of counsel, and was supported by substantial prior authority—including a prior federal court judgment expressly adjudicating the rights of petitioner's predecessor-in-interest.

The massive award of sanctions was upheld by the Second Circuit without a threshold determination that petitioner's legal position lacked arguable legal merit, or was frivolous, or without foundation. Nor, despite the sheer magnitude of the fee award, was there any determination that the amount of the fee was reasonable; indeed, respondents offered no evidence of reasonableness. The purported state law damage award was upheld only because of an apparently deliberate refusal by the Second Circuit to follow, or even consider, the most recent decision by the highest court of New York declaring applicable state law.

The questions presented by this petition are these:

1. Whether, before awarding attorney's fees to a prevailing defendant, a federal court must specifically determine that the plaintiff's federal claim was frivolous or without foundation, as many of the Circuits have required, or whether the fees of a prevailing defendant can be shifted to the plaintiff without such a determination, as the Second Circuit permitted below?

2. Whether a federal court can award more than $1.1 million in attorney's fees to a prevailing defendant without making any determination, or hearing any evidence, that the amount of the award is reasonable?

3. Whether a federal court can impose purported state law tort damages, including punitive damages, while refusing even to consider the most recent, and seemingly controlling, ruling of the highest court of the state concerning applicable state law?

**Parties to the Proceeding**

Petitioner Universal City Studios, Inc. ("Universal"), a wholly-owned subsidiary of MCA Inc., a Delaware corporation, was appellant-cross appellee in the court below.* Respondents Nintendo Co., Ltd., a Japanese corporation, and its wholly-owned subsidiary, Nintendo of America, Inc. (collectively, "Nintendo"), were appellees-cross appellants in the court below.

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* The following list of parents, subsidiaries and affiliates is supplied in compliance with Rule 28.1 of this Court's rules:

MCA Inc.
MCA Videodisc, Inc.
MCA Home Video, Inc.
MCA New Ventures, Inc.
MCA Records, Inc.
MCA Distributing Corp.
MCA Television Ltd.
Merchandising Corp. of America, Inc.
The Putnam Publishing Group, Inc.
Berkley Publishing Corp.
Jove Publications, Inc.
Coward-McCann, Inc.
Grosset & Dunlap, Inc.
Richard Marek, Publishers, Inc.
Cineplex Odeon Corp.
LJN Toys, Ltd.
Spencer Gifts, Inc.
Womphopper's, Inc.
Yosemite Park and Curry Co.

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ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE SECOND CIRCUIT

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## PETITION FOR A WRIT OF CERTIORARI

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Petitioner Universal respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit entered in the above-entitled proceeding on July 15, 1986.

### Opinions Below

The Court of Appeals opinion which gives rise to this petition is reported at 797 F.2d 70 (2d Cir. 1986), and reprinted at pages A1-16 of the appendix hereto.[1] The judgment of the Court of Appeals is reprinted at A114-15. The District Court opinion is reported at 615 F. Supp. 838 (S.D.N.Y. 1985), A65-113. Earlier opinions in this case are reported at 578 F.

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1 References to "A____" are to the separately-bound appendix to this petition.

Supp. 911 (S.D.N.Y. 1983), A17-50, *aff'd on appeal pursuant to Rule 54(b)*, 746 F.2d 112 (2d Cir. 1984), A51-64.

**Jurisdiction of this Court**

Jurisdiction over this petition is conferred upon this Court by 28 U.S.C. § 1254(1).

## STATEMENT OF THE CASE

### A. Overview of the Case.

This petition seeks review of rulings by the Court of Appeals for the Second Circuit which subjected Universal—and expose every federal court litigant—to capricious, retaliatory litigation sanctions, unlimited as to amount. The Second Circuit's decision invites a wholesale increase in "sanctions" litigation in the federal courts, even where an unsuccessful claim cannot be labeled frivolous or without foundation.

Universal was subjected to more than $1.5 *million* in attorney's fees and state law tort damages, including punitive damages, for asserting Lanham Act claims of trademark violation. Universal had asserted trademark rights in the name and character of the famous King Kong gorilla. It did so only after receiving the advice of experienced trademark counsel that it "was on firm ground to bring this complaint and this action." Universal's claims were premised on a prior federal court judgment declaring that its predecessor-in-interest owned "all rights in and to" the name and character of King Kong. The counsel whose advice it followed was fully familiar with the complex litigation in which the prior judgment had been entered. The sole basis for the award was Universal's assertion of rights, not any abuse of discovery or other post-complaint misconduct.

The Second Circuit evidently took it for granted that the federal courts should be conducting extensive collateral proceedings over "sanctions" even if it is not first specifically

found that a claim was frivolous or groundless. The Second Circuit also evidently assumed that a federal court can award every dollar in fees claimed by a prevailing defendant without determining that the amounts were in any sense reasonable—notwithstanding that the statute which supposedly permitted the award (§ 35 of the Lanham Act) authorizes the shifting of fees only in "exceptional" cases, and then only in a "reasonable" amount.

The decision below merits this Court's scrutiny because it is part of a rapidly expanding area of federal court litigation—what may generically be described as "sanctions" litigation—which the rulings below threaten to expand beyond any conceivable purpose. This proliferating "sanctions" litigation arises under, *inter alia*, the 1983 amendments to Rule 11 of the Federal Rules of Civil Procedure; the so-called "bad faith" exception to the "American Rule" concerning attorney's fees, first recognized by this Court in *Vaughan* v. *Atkinson*, 369 U.S. 527 (1962); and, as in this case, certain of the fee award statutes enacted by Congress. *See, e.g.*, ABA Section of Litigation, *Sanctions: Rule 11 and Other Powers* 3 (1986); S. Kassim, *An Empirical Study of Rule 11 Sanctions* 6 (Federal Judicial Center 1985); *The New York Times*, Oct. 2, 1986, at D1, col. 3.

This Court has approved the imposition of sanctions where a claim was "frivolous, unreasonable, or without foundation," while cautioning the lower courts against imposing sanctions based on "hindsight logic." *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 421-22 (1978). Members of this Court have recognized that "a great deal of litigation" is being spawned by attempts to shift attorney's fees. *See, e.g.*, *Boeing Co.* v. *Van Gemert*, 444 U.S. 472, 483 (1980) (Rehnquist, J., dissenting). However, this Court has never had occasion to decide whether or not a specific determination of frivolousness or groundlessness must precede the imposition of sanctions.

In the absence of such a ruling from this Court, some of the lower courts have required a prevailing defendant to establish

as a threshold matter that his adversary's case was frivolous or groundless before imposing sanctions, and have carefully scrutinized such claims. Some of the lower courts have also closely scrutinized the *amount* of fee awards, consistent with the principles announced by this Court in *Hensley* v. *Eckerhart*, 461 U.S. 424 (1983).

By contrast, the Second Circuit's decision in this case—because it was *not* based on a specific finding of frivolousness, and did *not* find the fee award reasonable—invites a second trial on "sanctions" in *every* case. If Universal can be severely sanctioned for not anticipating that a prior federal court judgment which expressly awarded "*all* rights in and to" King Kong in fact awarded "*no* rights"—which is what the decision below boils down to—a substantial increase in "sanctions" litigation is inevitable. Moreover, the sheer magnitude of the windfall financial bonanza which the Second Circuit permitted—most of it under a statute expressly limited to "reasonable" fees—encourages every prevailing litigant to "take a flyer" on a "sanctions" application. The resulting increase in collateral "sanctions" litigation would be wholly unjustifiable.

**B. Factual Background.**

The underlying litigation herein concerns the valuable commercial right to control trademark exploitation of the famous King Kong gorilla. The litigation turned on the interrelationship of copyright and trademark principles as applied to a prior federal court judgment in favor of Universal's predecessor-in-interest. Universal was severely sanctioned for asserting—on the advice of counsel fully familiar with the litigation leading to the prior judgment—that, under its terms, Universal could claim trademark rights in the name and character of King Kong. As will be explained, the Second Circuit's affirmance of sanctions rested on legal conclusions which were contrary to substantial authority, including the District Court in this very case; and which had the net effect of rendering the core provisions of the prior federal court judgment a nullity.

**1. The Cooper Judgment.**

The prior federal court judgment (the "Cooper Judgment") was first entered in 1976 by the United States District Court for the Central District of California (the "California Federal Court"). A116-20. It resolved a long-standing dispute between Major Richard Cooper and RKO General, Inc. ("RKO") over the ownership of the King Kong property. Universal sued below as Major Cooper's transferee and successor-in-interest under the Cooper Judgment.

It was Major Cooper's father who created the name, character and story of King Kong. The senior Cooper had licensed RKO to make the famous 1933 movie, "King Kong." In purported reliance on this license, RKO went on to exploit King Kong by marketing King Kong toys and other King Kong products. A16-37.

The Cooper Judgment resolved in Cooper's favor his contention that these marketing activities were unauthorized by the license. A116-20, 126, 128, 133-37. The Judgment declared that Cooper, not RKO, owned "all rights in and to the use of the name, character, and story 'King Kong.' " A117. The Judgment declared that, to the extent RKO had exploited King Kong other than in making its licensed movie, it had done so as a constructive trustee for Major Cooper. A118. It expressly directed RKO to convey to Cooper all outstanding product licenses, and to account to him for past profits. A118-19.

The Cooper Judgment reserved to RKO only the copyright in its 1933 movie (and in a little-known 1934 sequel). The Second Circuit in this case ultimately held that RKO's copyrighted movie, and the copyrighted "re-make" released by Dino De Laurentiis Corp. in 1976, "were irreconcilable with the existence of any Universal trademark rights in King Kong," and that Universal "must have known" this. 797 F.2d at 76; A9-10.

However, the Second Circuit cited no legal authority except the statutory definition of "trademark" in § 45 of the Lanham

Act, 15 U.S.C. § 1127. It cited no authority holding or suggesting that § 45, which specifically recognizes that a "name" or "symbol" can constitute a trademark, means that a claim of trademark in a popular name or character is precluded by copyrighted movies.[2] To Universal's knowledge—then and now—there is no such authority, whatever Universal "must have known."[3]

The Second Circuit also read the Cooper Judgment as determining that the senior Cooper's original King Kong novel had fallen into the public domain. 797 F.2d at 73; A3-5. This is a copyright term of art meaning that the novel had lost

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2 The text of § 45 is found at A179 of the appendix hereto.

3 The Second Circuit's view of the relationship between copyright and trademark is contrary to substantial authority. Thus:

1. There are "fundamental differences" between the purpose and scope of copyright and trademark. *Sony Corp.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 439 n.19 (1984). Copyright protects original works for limited terms; trademark protects names or symbols under which products are sold for indefinite terms. *The Trade-Mark Cases*, 100 U.S. 82, 93-94 (1879); 1 J. McCarthy, *Trademarks and Unfair Competition* § 6:1, at 147-48 (2d ed. 1984).

2. Fictional characters, such as King Kong, may be entitled to separate protection (1) as copyrightable original works and (2)—wholly apart from copyright—as trademarks that serve to identify a product with a single source of origin. *See, e.g., Silverman* v. *CBS Inc.*, 632 F. Supp. 1344, 1350 (S.D.N.Y. 1986); *Frederick Warne & Co.* v. *Book Sales, Inc.*, 481 F. Supp. 1191, 1196-97 (S.D.N.Y. 1979).

3. A motion picture license does *not* give the licensee any further interest in the name or character being licensed, or the right to exclude the licensor from exploiting it. *E.g., Warner Bros. Pictures* v. *Columbia Broadcasting System*, 216 F.2d 945 (9th Cir. 1954), *cert. denied*, 348 U.S. 971 (1955). Motion picture licenses do not preclude the licensor from being the "single source" which is required for trademark. *See, e.g., Edgar Rice Burroughs, Inc.* v. *Manns Theatres*, 195 U.S.P.Q. 159 (C.D. Cal. 1976); 15 U.S.C. § 1055. Indeed, this is precisely what the Cooper Judgment held concerning RKO and King Kong.

copyright protection because the original copyright certificate was not properly renewed under the Copyright Act of 1909. The Second Circuit held that there is a fatal inconsistency between public domain status of the novel—*i.e.*, its loss of *copyright* protection—and a claim of *trademark* under the Cooper Judgment. *Id.* at 78; A13.

While elsewhere stating that this conclusion was "clear" (*id.* at 73, A5), the Second Circuit cited no authority for it anywhere. Yet the District Court had ruled precisely to the contrary, recognizing that "even words that are in the public domain may possess trademark significance." 578 F. Supp. 911, 919, 926 n.6; A17,29, 42 n.6. Remarkable as it may seem, the Second Circuit did not even mention this District Court ruling, or the authority on which it was based.[4]

**2. The Vacated Universal Judgment.**

Apart from its confusion of copyright and trademark principles, the Second Circuit's highly restrictive construction of the Cooper Judgment was based on a misreading of the California Federal Court record. That misreading, and its supposed bearing on this case, were announced for the first time when the Second Circuit affirmed the sanctions award. Once again, the Second Circuit ruled contrary to a ruling of the District Court. Once again, the District Court's contrary ruling was not mentioned by the Second Circuit.

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4 Prior authority on this public domain/trademark issue supports the District Court and Universal—not the Second Circuit and Nintendo. Indeed, every lower court case of which we are aware is contrary to the Second Circuit: "Simply stated, the expiration of a copyright or a patent does not bar an action under the Lanham Act for trademark infringement." *Tempo Communications, Inc.* v. *Columbian Art Works, Inc.*, 223 U.S.P.Q. 721 (N.D. Ill. 1983), *certification of interlocutory appeal denied*, No. 80 C 1709 (N.D. Ill. Oct. 14,1983) (available on LEXIS). *Accord Application of Mogen David Wine Corp.*, 328 F.2d 925, 930 (C.C.P.A. 1964); *Frederick Warne & Co.* v. *Book Sales Inc.*, 481 F. Supp. 1191, 1196-97 (S.D.N.Y. 1979). It is simply a "non-sequitur" to equate public domain status for copyright purposes with a lack of trademark status. 1 J. McCarthy, *supra*, *Trademarks and Unfair Competition* § 6:1, at 148.

The California litigation had begun when Universal sued RKO, claiming that it, not Dino De Laurentiis, was entitled to produce a "re-make" of "King Kong." These claims were decided in Universal's favor, and gave rise to a judgment (the "Universal Judgment"). A141-61. However, RKO, De Laurentiis and Universal ultimately settled all issues among them. Universal permitted De Laurentiis to make its movie, and Universal received a substantial share of its profits. Upon being apprised of the settlement, the Court of Appeals for the Ninth Circuit vacated the Universal and Cooper Judgments. A162-65. The Cooper Judgment was later reinstated by the California Federal Court, in 1981; however, the Universal Judgment was never reinstated. A116-20, 138-40.

The District Court in this case rejected a variety of claims by Nintendo based on the vacated Universal Judgment, including the claim that that judgment "survived" in the Cooper Judgment. 578 F. Supp. 911, 919-21; A28-32. The Second Circuit, however, held that a vacated finding of fact which accompanied the vacated Universal Judgment defeated any claim of trademark under the separate, *un*vacated Cooper Judgment.

According to the Second Circuit—in a "construction" of the Cooper Judgment first announced in affirming the award of sanctions—"Cooper plainly did not obtain any trademark rights in his judgment against RKO, since the California district court specifically found that King Kong had no secondary meaning." 797 F.2d at 76; A11.[5] Based on this statement of what the California Federal Court "specifically found," the Second Circuit held that, "If anyone knew what the law was on this point"—*i.e.*, on the point of secondary meaning—"under the facts of this case, it was Universal"; and that, despite the

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5 "Secondary meaning" is a trademark term of art meaning identification of a trademark with a single source of origin for the goods or services sold under the mark. The consuming public does not have to know the identity of the source. It can be "anonymous." 15 U.S.C. § 1127; *Fleischmann Distilling Corp.* v. *Maier Brewing Co.*, 314 F.2d 149, 155 (9th Cir.), *cert. denied*, 374 U.S. 830 (1963).

broad "all rights" language of the Cooper Judgment, Cooper owned only "[p]erhaps . . . some undefined 'merchandising rights.' " *Id.* at 75, 76; A9, 11.

But the California Federal Court demonstrably had made *no* finding that King Kong could not have secondary meaning. Its *only* "secondary meaning" finding was that RKO had offered no evidence on the issue: "There is *no evidence* that the title 'King Kong' has a secondary meaning by which the public [in 1976] identifies such title with RKO or the Motion Picture." A159.

Hence, *all* the California Court had ever found was that RKO had failed to *prove* that there was secondary meaning, in 1976, in the title of its 1933 movie. That finding, later vacated, did not even purport to decide what secondary meaning there might be in the King Kong name or character, then or thereafter. It did not decide what ruling might result from actual contested litigation of the secondary meaning issue. Nor, since it was made in 1976, could it have decided what secondary meaning might have been generated *after* 1976 by the highly successful release of the Dino De Laurentiis re-make in that year, and the extensive trademark licensing of King Kong products in 1976 and thereafter. De Laurentiis acknowledged that Universal was "fully entitled to exploit [that] goodwill." A169.

Accordingly, there was no basis for the Second Circuit's statements that, when the *present* case arose, in *1982*, Universal or its counsel "knew" from this vacated finding that "the law" was that the King Kong name and character could not have secondary meaning. To the contrary, given what the California Court had actually done—*i.e.*, treated "secondary meaning" as a matter of evidentiary dispute—Universal "knew" no more than that secondary meaning was a factual matter, which a finder of fact might resolve one way or another.[6]

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6 It is familiar law that secondary meaning is an intensely factual question turning on factual issues of public perceptions and consumer

### 3. Universal's Purchase of Cooper's Rights.

Universal purchased all of Major Cooper's rights under the Cooper Judgment shortly after it was entered. Universal paid more than $200,000 for these rights.

Thereafter, Universal was consistently recognized by all members of the entertainment industry knowledgeable about King Kong as having the *sole* right to license *any* commercial exploitation of King Kong, including trademark uses. For example, Paramount Pictures Corp., which had been Dino De Laurentiis' trademark licensing agent, recognized Universal as "*the* licensing source for products and services sold under the King Kong name and character . . . [emphasis added]." A176. Notwithstanding the Second Circuit's view that Universal trademark rights were "irreconcilable with" RKO's rights, RKO too recognized Universal's rights. Indeed, RKO actually confirmed to Universal that Universal's trademark claims against Nintendo—*i.e.*, the claims involved in this very action—did not invade RKO's retained rights. A177.[7]

Contrary to statements by the Second Circuit on the point, 797 F.2d at 73, A5, Universal conducted itself as a trademark proprietor following its purchase of Cooper's rights, consistent with the industry-wide understanding that it was "*the* licensing source." The uncontradicted record showed that Universal issued King Kong trademark licenses, warned others against

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practices. *See, e.g., Zatarains, Inc.* v. *Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 794-96 (5th Cir. 1983); *Levi Strauss & Co.* v. *Blue Bell, Inc.* 632 F.2d 817, 821 (9th Cir. 1980); 3 R. Callman, *The Law of Unfair Competition, Trademarks & Monopolies* § 19.27 (4th ed. 1983). Secondary meaning may exist at one time or in one area, and not in another. *See, e.g., Truck Equipment Service Co.* v. *Fruehauf Corp.*, 536 F.2d 1210, 1221-22 (8th Cir.), *cert. denied*, 429 U.S. 861 (1976); *see generally* 1 & 2 J. McCarthy, *supra*, *Trademarks and Unfair Competition* chs. 17, 26.

7 To be sure, Universal had to respect RKO's (and Dino De Laurentiis') copyright rights. But neither RKO nor De Laurentiis regarded Universal's trademark, or its claims against Nintendo, as "irreconcilable with" their copyrights. A177, 169.

licensing uses of King Kong, and invested substantial sums in a proposed "King Kong" motion picture, which would have generated still additional trademark licensing revenues. It also spent millions of dollars to build a "King Kong" attraction at its Universal Studio Tour amusement park in Los Angeles.[8]

**4. "Donkey Kong."**

Beginning in 1981, Nintendo manufactured and licensed a videogame which depicted a giant gorilla on top of a large building holding a heroine whom a rescuer tries to reach. Nintendo called its videogame, and the gorilla character which was its star, "Donkey Kong." The gorilla character, the story context in which it was used, and the name "Kong" all obviously evoked King Kong.[9] Nonetheless, Nintendo marketed and licensed "Donkey Kong" without attempting to obtain Major Cooper's or Universal's permission.

When Universal learned of "Donkey Kong," it consulted its regular intellectual property counsel, Stephen A. Kroft, as to whether the game violated Universal's rights. Kroft had represented Universal in the California Federal Court litigation which produced the Cooper Judgment and the vacated Universal Judgment. He was fully familiar with the complex litigation context in which the Cooper Judgment had been entered. Kroft advised Universal that "it was on firm ground" to assert Lanham Act claims against "Donkey Kong."

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8 Contrary to another statement by the Second Circuit, to the effect that Universal never created an "image of King Kong" different from the movie images, 797 F.2d at 76, A10, Universal's Studio Tour attraction—a tram car ride past a gigantic articulated figure of the ape—obviously *did* involve Universal's creation of its own "image of King Kong." Universal's proposed motion picture—which was ultimately scrapped when its producer was incapacitated by a serious heart attack—would also have involved another "image of King Kong."

9 Cooper's original character was named "Kong." He was called "*King* Kong" because of the majestic qualities suggested by the story. There is no donkey in "Donkey Kong."

Before bringing suit, Universal attempted to settle the "Donkey Kong" matter with Nintendo and with Nintendo's most important licensee, Coleco Industries, Inc. ("Coleco"). Coleco, advised by its own experienced trademark counsel, acknowledged Universal's claim of King Kong rights by agreeing to pay a substantial royalty in return for Universal's covenant not to bring suit against it. Nintendo, however, did not settle.[10]

**5. Universal's Lanham Act Litigation.**

Universal brought suit against Nintendo in the United States District Court for the Southern District of New York. It alleged that it held a valid trademark in the name King Kong, and variants thereof, in conjunction with the symbol of a gigantic ape. It alleged that "Donkey Kong" was trading on the goodwill associated with this name and character in violation of § 43(a) of the Lanham Act (and analogous state law). Universal alleged the derivation of its rights through the prior Cooper Judgment, and its agreement with RKO settling the California Court litigation between them.[11]

After it sued Nintendo, Universal continued to pursue settlements of its "Donkey Kong" claims, sometimes successfully, sometimes not. The Second Circuit ultimately held that this conduct was "tortious" under New York law, and established that Universal was in "bad faith," because Universal did not

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10 Coleco later sought to capitalize on Nintendo's litigation success against Universal by bringing an action to undo its settlement agreement. *Coleco Industries, Inc.* v. *Universal City Studios, Inc.* 84 Civ. 2596 (S.D.N.Y., filed April 12, 1984). That action is presently pending in the District Court.

11 Given the Second Circuit's focus on RKO's copyright rights, and on the "public domain" status of Cooper's original novel, it should also be emphasized that Universal did *not* allege any infringement of *copyright*—its own, or Cooper's, or RKO's or anyone else's. Federal jurisdiction was based on the Lanham Act, 15 U.S.C. § 1121, on 28 U.S.C. § 1338, and on principles of pendent jurisdiction.

seek "definitive adjudication" of its claims. 797 F.2d at 75, 76; A8, 10. The court offered no reason why "definitive adjudications" are preferable to negotiated settlements. Nor did it recognize that Universal—no less than Nintendo—expended very large sums to obtain a "definitive adjudication" in this very case.

After discovery, Nintendo moved for summary judgment. In its first opinion herein, the District Court granted the motion on three grounds: 1) that the Cooper Judgment "did not successfully transfer RKO's trademark rights to Cooper" because the Judgment was an impermissible "assignment in gross"; 2) that the Cooper Judgment, by recognizing RKO's movie copyright, had impermissibly "split up" the rights in King Kong, depriving King Kong of "secondary meaning" as a matter of law; and 3) that, also as a matter of law, there was no "likelihood of trademark confusion" between "Donkey Kong" and King Kong. 578 F. Supp. 911 (S.D.N.Y. 1983); A17-50.

The District Court did *not* hold that Universal's claims were frivolous or groundless. It did *not* hold that any of the vacated findings of the California Federal Court precluded Universal's present claims. To the contrary, it *rejected* Nintendo's argument that the vacated Universal Judgment "survived" in the Cooper Judgment. 578 F. Supp. at 919; A29. It also rejected Nintendo's argument that public domain status of the King Kong novel precluded a trademark, stating that "even words that are in the public domain may possess trademark significance." *Id.* at 919, 926 n.6; A29, 42 n.6.

On appeal, the first in this case, the Second Circuit affirmed on the trademark confusion issue only. 746 F.2d 112 (2d Cir. 1984); A51-64. It expressly declined to reach the District Court's "assignment in gross" theory, or its ruling that RKO's derivative copyright precluded a showing of secondary meaning for trademark purposes. *Id.* at 115; A55. It did *not* hold that Universal's claims were frivolous or groundless. Its opinion contained not a hint that the issue of secondary meaning

had been definitively resolved against Universal's position by the vacated finding of the California Federal Court. Nor did its opinion hold or suggest that public domain considerations precluded a trademark. The Second Circuit first announced those views in affirming the award of sanctions, on the *second* appeal herein.[12]

**6. The Sanctions Proceedings.**

The District Court then proceeded to hold a week-long trial on Nintendo's claim that Universal should be subject to attorney's fees and damages, including punitive damages, for having asserted trademark claims. It awarded Nintendo nearly $1.5 million in attorney's fees and damages. 615 F. Supp. 838 (S.D.N.Y. 1985); A65-113. Of this amount, $1,142,545.70 consisted of attorney's fees for defending against Universal's complaint, $222,498.28 consisted of non-recoverable other "costs," and $94,219.41 consisted of compensatory damages.[13] The District Court based its rulings on 1) Section 35 of the Lanham Act, which authorizes "reasonable" fees in "exceptional" cases, 2) Rule 11 of the Federal Rules of Civil Procedure, and 3) New York law of "tortious interference with contract" and punitive damages.[14]

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12 It should also be noted that the Second Circuit's trademark confusion holding on the first appeal was *not* the basis for the award of sanctions affirmed on the second appeal. At *no* time, in *any* of the proceedings in this case, did the courts below hold that Universal's position on the trademark confusion issue was frivolous or groundless. As explained below, the *sole* basis on which Universal was sanctioned was for asserting that the Cooper Judgment gave Cooper—and therefore Universal as his successor—the right to assert trademark claims relating to King Kong.

13 The sum of these figures, $1,459,263.39, together with interest accruing prior to issuance of the mandate by the Second Circuit ($96,594.20), totaled $1,555,857.59.

14 The District Court's Rule 11 ruling, which was not reached or affirmed by the Second Circuit, 797 F.2d at 77, A12, rested on Rule 11 as it existed prior to the 1983 amendments thereto, Universal having brought suit in 1982. In that pre-amendment version, Rule 11 permitted sanctions only

The District Court made no express finding that Universal's trademark claims were groundless or without foundation. Rather, it held that Universal "knew" it had "no rights" in King Kong. The basis for this ruling was evidence showing—as indeed was true—that Universal recognized RKO's and De Laurentiis' derivative copyrights in the "visual representations" of King Kong contained in their movies. The District Court held that Universal's recognition of these *copyrights* proved that Universal knew it could not claim a *trademark* in King Kong. It did not even mention the undisputed evidence that neither RKO, nor De Laurentiis, nor Paramount held any such view. A177, 169, 176.[15]

The District Court also held that Universal was not entitled to rely on the advice of its counsel, Kroft—the stated reason being that Kroft had not been called as a trial witness. The Court therefore disregarded Kroft's advice that Universal was "on firm ground" to bring suit, as a Universal witness had testified without objection. The Court also criticized Universal for not producing Kroft's "research or memoranda analyzing the claim." 615 F. Supp. at 846-47, 862; A78, 108. It cited no authority for these holdings.

The District Court made no determination that the amount of the award was reasonable. Indeed, Nintendo had offered no evidence as to the reasonableness of more than $1.3 million in attorney's fees and costs for legal services which involved only discovery and a summary judgment motion. Nintendo had

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against a lawyer who signed a pleading in subjective bad faith. However, the District Court made no finding that Universal's trial counsel—a different lawyer than its intellectual property counsel—had acted in bad faith in signing Universal's complaint. To the contrary, it repeatedly praised the highly professional conduct of trial counsel. *E.g.*, 615 F. Supp. at 841; A66; 578 F. Supp. at 914; A19.

15 The District Court did not hold that the vacated findings of the California Federal Court precluded Universal's claims. The District Court also did not retreat from its earlier view that "words in the public domain may possess trademark significance."

offered only a single question and answer as to the gross *amount* of its claimed fees and costs. The District Court apparently was content with this record as the basis for its fee award—although to Universal's knowledge it is the largest of its kind ever made.

The District Court's award of punitive and actual damages rested on its view that New York law permitted treating "wrongful civil litigation" as a species of "tortious interference with contract." 615 F. Supp. at 860-63; A104-10. It held that Universal's conduct in suing Nintendo, and in sending demand letters based on that litigation to certain of Nintendo's licensees, was actionable under New York law. It held that New York law would permit punitive as well as compensatory damages therefor. 615 F. Supp. at 863; A109-10.

**7. The Second Circuit's Opinion.**

The Second Circuit affirmed the award of sanctions. 797 F.2d 70 (2d Cir. 1986); A1-16. In an opinion by Senior District Judge Charles E. Metzner, sitting by designation, it held that: 1) RKO's 1933 "King Kong" movie, and Dino De Laurentiis' 1976 "re-make," "were irreconcilable with the existence of any Universal trademark rights in King Kong," and that Universal "must have known" this; 2) that "public domain" copyright status of the original King Kong novel made it "clear" that Major Cooper, and therefore Universal as his successor, "did not hold any trademark rights against the world in King Kong" but only "perhaps . . . some undefined 'merchandising rights' "; and 3) that Universal had "successfully" established before the California Federal Court that the "law" was that King Kong could not have secondary meaning, and that Universal "knew what the law was" on this point. 797 F.2d at 73, 75-76 & n.3, 78; A3-5, 9-11 & n.3, 13.

The Second Circuit, like the District Court, made no express determination that Universal's trademark claims were groundless or without foundation. In construing the Cooper Judgment, it did not cite any legal authority disregarded by

Universal. Indeed, apart from the statutory definition of "trademark," it cited no authority at all. It did not mention that the District Court had rejected the same public domain argument which it was accepting. It took no note of the fact that the District Court had also rejected Nintendo's argument that the vacated Universal Judgment "survived" in the Cooper Judgment. It did not mention the industry-wide recognition of Universal's rights.

Like the District Court, the Second Circuit held that Universal could not rely on the advice of its counsel that it was "on firm ground" to bring suit, because it had not called him as a trial witness. Like the District Court, it cited no authority for the proposition that advice of counsel can only be proved by putting counsel himself on the stand. 797 F.2d at 76-77; A11.[16]

The Second Circuit allowed the $1.1 million fee portion of the award to stand solely on the authority of Section 35 of the Lanham Act; it did not reach the District Court's alternative Rule 11 or punitive damage theories as to this sum. 797 F.2d at 77; A12. Like the District Court, it made no determination that $1.1 million in fees was reasonable here, although Section 35 is expressly limited to "reasonable" fees in "exceptional" cases. It did not seem to realize that this is apparently the largest award of its kind ever made.

The Second Circuit upheld the remainder of the award on the theory that New York law permitted some $94,000 in actual damages, and $222,000 in punitive damages, to be awarded for

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16 Also like the District Court, the Court of Appeals drew an unspecified "adverse inference" against Universal for not calling counsel as a witness. See 797 F.2d at 76-77; A11. However, as Universal had shown on its motion for a partial new trial—which went entirely unmentioned by the Second Circuit—there was and is no basis for this "adverse inference." Kroft's professional expertise was undisputed, as was his intimate familiarity with the California Court litigation. And neither Court below suggested a reason why Universal had to call him to testify that he *gave* advice which a Universal witness had already testified, without objection, Universal had *received*.

"tortious interference with contract" by means of litigation. Its punitive damage reasoning was directly based on its unsupported holding that public domain status of the King Kong novel precluded a trademark in King Kong. 797 F.2d at 78; A13. Again, it did not mention that the District Court had rejected this same public domain argument.

In affirming the state law damage awards, the Second Circuit failed to follow, distinguish, or even cite a 1984 opinion of the New York Court of Appeals, that state's highest court, which was prominently called to the attention of the Second Circuit, and which squarely holds that wrongful use of civil proceedings is actionable *only* where abuse of process or malicious prosecution occurs. *Curiano* v. *Suozzi*, 63 N.Y.2d 113, 480 N.Y.S.2d 466, 469 N.E.2d 1324 (1984). Neither of these torts was even alleged by Nintendo. The Second Circuit purported to rely, instead, on dicta in one of its own prior interpretations of New York law, and in an earlier New York case. 797 F.2d at 75; A8.

## REASONS FOR GRANTING THE WRIT

### I. As respects the fee award (first and second questions presented):

#### A. The Second Circuit's approach in imposing sanctions conflicts with decisions of this and other courts.

It is axiomatic that an award of attorney's fees or other sanctions to a prevailing defendant is not justifiable merely because the plaintiff lost. That is the very core of the "American Rule" respecting attorney's fees, to which this Court has consistently adhered. *E.g.*, *Alyeska Pipeline Service Co.* v. *Wilderness Society*, 421 U.S. 240 (1975); *F.D. Rich Co.* v. *United States*, 417 U.S. 116, 126-31 (1974).

The legislative history of Section 35 of the Lanham Act, the fee award provision on which the Second Circuit relied, makes it unmistakably clear that Congress was authorizing fee awards to prevailing defendants only for the purpose of penalizing

"unfounded" claims. S. Rep. No. 1400, 93d Cong., 2d Sess., *reprinted in* 1974 U.S. Code Cong. & Admin. News 7132, 7136. There is not the slightest indication that Congress intended to discourage *non*-frivolous litigation. To the contrary, "enforcement of trademark rights is left to the trademark owners and they should, in the interest of preventing purchaser confusion, be *encouraged* to enforce trademark rights." *Id.* (emphasis added).

It would seem essential, therefore, that any award of Section 35 fees to a prevailing defendant be preceded by a careful determination that the losing party's claim was "unfounded." And, indeed, some of the Circuits have required just that.

Thus, a proper inquiry was made in *Noxell Corp.* v. *Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521 (D.C. Cir.) (Scalia, Ginsburg and Wald, Circuit Judges), *rehearing en banc denied*, 774 F.2d 1180 (1985). The D.C. Circuit there sustained an award of Section 35 fees to a Lanham Act defendant only after a painstaking analysis demonstrating that the plaintiff had disregarded controlling precedent from this Court in laying venue 3,000 miles away from the defendant's home district. Because the choice of venue was therefore unfounded, the D.C. Circuit held that the case was appropriate for an award of fees under Section 35.[17]

Likewise, the Federal Circuit in *Stevenson* v. *Sears, Roebuck & Co.*, 713 F.2d 705 (Fed. Cir. 1983), a case arising under the identically-worded fee provision in the patent law (35 U.S.C. § 285), held that a fee award to a prevailing defendant was *not* appropriate even where the plaintiff was relitigating issues previously lost and reduced to judgment. The Court rejected a claim for fees where there was an argument not "entirely

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17 Judge Wald's dissent took a *narrower* view of Section 35 than Judges Ginsburg and Scalia. Judge Wald believed that it was not enough that choice of venue was groundless.

devoid of merit" that collateral estoppel should not apply, an argument it analyzed with care. 713 F.2d at 713.[18]

The decision of the Second Circuit below stands in sharpest contrast to the careful analyses in the opinions just described. The Second Circuit made no determination that Universal's reading of the Cooper Judgment was "unfounded." Its perfunctory resolutions of issues concerning the interrelationship of copyright and trademark reflect profound confusion over the differences between them, and are almost certainly wrong. See pp. 5-9 & nn.3-6, *supra*. It decided issues contrary to the District Court without recognizing that it was doing so—much less confronting the fact that Universal's positions could hardly be actionably frivolous if the District Court had *agreed* with them. It cited no authorities except § 45 of the Lanham Act, which it apparently misread. It misread the California Federal Court record. It disparaged the advice Universal received from a lawyer fully familiar with that record, based on its own misreading of that record.[19]

Fundamentally, the Second Circuit was led into error because it did not feel obliged to, and did not, specifically

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18 Also under the patent statute, the Fifth Circuit has held that fees should not be awarded to a prevailing defendant unless the invalidity of the plaintiff's claims "should have been obvious to all parties all along." *Arbrook, Inc.* v. *American Hospital Supply Corp.*, 645 F.2d 273, 279 (5th Cir. 1981). The Seventh Circuit, in *Blau Plumbing, Inc.* v. *S.O.S. Fix-It, Inc.*, 781 F.2d 604, 612 (7th Cir. 1986), states that frivolousness or "an even more demanding standard" applies under Section 35. (The Seventh Circuit case cited by the Second Circuit here, *Scotch Whisky Ass'n* v. *Barton Distilling Co.*, 489 F.2d 809 (7th Cir. 1973), cited at 797 F.2d 77, A12, was decided two years before Section 35 was even enacted by Congress, and *denied* an award of fees under the "bad faith" exception to the American Rule.)

19 The principal authority cited by the Second Circuit for its conclusion that this was an appropriate case for sanctions, *Mennen Co.* v. *Gillette Co.*, 565 F. Supp. 648 (S.D.N.Y. 1983), *aff'd mem.*, 742 F.2d 1437 (2d Cir. 1984), cited at 797 F.2d 77, A12, involved a specific finding that the plaintiff's case had "no real substance," where the plaintiff had actually eliminated the claimed "trademark" from its products. 565 F. Supp. at 653, 657.

determine that Universal's legal position was frivolous or groundless. It could not have done so. It could hardly have condemned as actionably frivolous or groundless legal positions with which the District Court had expressly *agreed*. It would have had to consider the industry-wide recognition of Universal's trademark rights. And, guided by the correct legal standard, the Second Circuit would have had to confront the ultimate irony of its position—that under its novel views of the interrelationship of copyright and trademark law, the clear language of the Cooper Judgment stating that Cooper owned "all rights in and to the use of the name, character, and the story 'King Kong' " reduced to the triviality that Cooper owned nothing except "perhaps . . . some undefined 'merchandising rights.' " In other words, "*all* rights" meant "*no* rights."

The Second Circuit was gravely wrong in treating this complex case as an appropriate one for the award of sanctions. Its decision invites a wholesale increase in "sanctions" litigation for no conceivable meritorious reason. See pp. 2-4, *supra*.

### B. The Second Circuit's failure to require a specific finding of reasonableness conflicts with prior rulings of this and other courts.

In *Hensley* v. *Eckerhart*, 461 U.S. 424 (1983), this Court held that a prevailing plaintiff seeking a fee award under 42 U.S.C. § 1988 has the affirmative burden of establishing that the amount he seeks is reasonable. *Id.* at 437. *See also Blum* v. *Stenson*, 465 U.S. 886, 898-900 (1984).[20]

Section 35 of the Lanham Act, like § 1988, expressly requires that a fee award be "reasonable." However, in this

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20 This Court gave further consideration to the issue last Term in *City of Riverside* v. *Rivera*, ____ U.S. ____, 106 S. Ct. 2686 (1986); and in *Pennsylvania* v. *Delaware Valley Citizens' Council for Clean Air*, ____ U.S. ____, 106 S. Ct. 3088 (1986). The second of these cases has been restored to the argument docket for this Term, 106 S. Ct. at 3100, 3331, for consideration of whether a fee award to a prevailing plaintiff may be "multiplied" or otherwise enhanced to reflect the risk of loss.

case, the lower courts made no determination that the $1,142,545.70 in attorney's fees awarded Nintendo under Section 35 was reasonable. Indeed, although it was seeking what is apparently the largest award of its kind ever made, Nintendo offered no evidence beyond the gross amount of the claimed fees. It did not even offer evidence of the hours spent or rates charged, much less of the exercise of "billing judgment" called for by *Hensley*.

There is no conceivable reason why fee-shifting in favor of a prevailing defendant should be governed by any *lesser* standard than fee-shifting in favor of a prevailing plaintiff. If anything, fees to a prevailing defendant should be much more strictly limited, since the plaintiff is "the chosen instrument of Congress" to vindicate federal policy. *Christiansburg Garment Co.* v. *EEOC*, 434 U.S. 412, 418 (1978).[21]

Courts other than the Second Circuit have subjected the amounts of fee requests under Section 35 to exacting scrutiny. *See, e.g., International Olympic Committee* v. *San Francisco Arts & Athletics*, 781 F.2d 733, 739 (9th Cir.), *amended on other grounds*, 789 F.2d 1319 (9th Cir. 1986); *Sealy, Inc.* v. *Easy Living, Inc.*, 743 F.2d 1378, 1385 (9th Cir. 1984). The failure of the Second Circuit to require *any* scrutiny of the amount of Nintendo's request—apparently the largest of its kind ever made—merits this Court's review independently of the Second Circuit's errors in permitting any fee award at all.

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21 Indeed, it is well-settled that the very nature of a trademark necessitates vigilant enforcement. As was recognized in one of the cases relied on by the Second Circuit, 797 F.2d at 77, A12, a trademark owner "must actively defend a mark or risk abandonment." *Steak & Brew, Inc.* v. *Beef & Brew Restaurant, Inc.*, 370 F. Supp. 1030, 1038 (S.D. Ill. 1974). The court therefore denied any award of fees to the prevailing defendant.

### C. The Second Circuit's decision implicates other important federal questions.

Beyond the correct application of Section 35, itself an important federal question, petitioner submits that this case implicates other and larger federal questions as well. Section 35, which is expressly limited to "exceptional" cases, and further expressly limited to "reasonable" fees, is one of the most *limited* fee award statutes. If, as held below, it is nonetheless triggered without a threshold determination of groundlessness—even where the advice of expert counsel has been sought and obtained—the proliferation of unjustified "sanctions" claims under other, more *liberal* fee statutes, is all but a certainty. If, on top of this, a successful "sanctions" motion has a $1.5 *million* pay-off—even under a statute expressly limited to "reasonable" fees—the federal courts have gone into the lottery business.

Assuming, *arguendo*, that Congress could expressly authorize *un*reasonable fee awards in *non*-frivolous cases, it ought nonetheless to be a consistent canon of construction that such an intention is not presumed; and that, absent express Congressional authorization, prevailing defendants are not entitled to fees unless it is specifically found

a. that a claim or defense was without arguable legal merit, *i.e.*, frivolous, *and*

b. that the sanction imposed is reasonable.

By this standard, the decision below must be reversed, and Nintendo's claims for sanctions dismissed. The Second Circuit's conclusory assertion that Universal was in "bad faith"—where that term does not embrace a threshold determination of frivolousness or groundlessness—is not remotely an adequate premise for the imposition of sanctions.

This is all the more true given that the Second Circuit based its "bad faith" holding on Universal's efforts to settle its "Donkey Kong" claims. 797 F.2d at 75-76; A8-10. There is no logic to the Second Circuit's apparent preference for "defini-

tive adjudications" as against negotiated settlements. To the precise contrary, the law prefers and encourages settlements.

The touchstone of liability for sanctions must be the absence of an arguable legal basis for a claim or defense. Where, as here, Universal brought suit on the advice of counsel, premised on—at the very least—an arguably valid reading of a prior federal court judgment, sanctions may not be imposed.

**II. As respects the award of state law damages (third question presented):**

**The Second Circuit has deliberately refused to follow the highest court of New York.**

The Second Circuit accepted Nintendo's contentions that, beyond an award of fees under Section 35, it was entitled under New York law to damages allegedly caused by Universal's institution of suit and threats of similar action against Nintendo's licensees—including punitive damages more than twice the amount of the actual damages claimed. Accepting Nintendo's assertions that, under New York law, the institution of a federal court Lanham Act suit, and attempts to settle similar claims, could be the "wrongful means" required for the common law tort of "tortious interference with contract," the Second Circuit affirmed an aggregate of $316,717.69 in punitive and compensatory damages. 797 F.2d at 75, 77-78; A8, 12-13.

In so doing, the Second Circuit simply ignored a square 1984 holding by New York's highest court which makes it unambiguously clear that liability under New York law could not arise from Universal's threat or commencement of civil litigation under the Cooper Judgment, even assuming *arguendo* that Universal was improperly motivated. *Curiano* v. *Suozzi*, 63 N.Y.2d 113, 480 N.Y.S.2d 466, 469 N.E.2d 1324 (1984). *Curiano* had been prominently cited by Universal below.

*Curiano*, unmentioned by the Second Circuit, squarely holds that improper litigation is actionable under New York law *only*

if malicious prosecution or abuse of process occurs. 63 N.Y.2d at 116-19, 480 N.Y.S.2d at 468-70, 469 N.E.2d at 1326-28. These stringent limitations are, said the New York court, "necessary to effectuate the strong public policy of open access to the courts for all parties without fear of reprisal in the form of a retaliatory lawsuit." *Id.* Neither of these torts was (or could have been) even alleged against Universal. Thus the real New York law—as distinct from the "New York law" applied by the Second Circuit—absolutely precludes Nintendo's "retaliatory lawsuit" against Universal and bars massive "reprisal" such as the damage award involved here.[22]

This Court's review is necessary quite apart from the attorney's fee issue discussed above. The Second Circuit has disregarded the settled rule that, in applying state law, a federal court is not free to pick and choose among state law precedents. It must follow a) the most recent ruling b) of the highest court of the state. *See, e.g., Vandenbark* v. *Owens-Illinois Glass Co.*, 311 U.S. 538, 541-43 (1941); *Broussard* v. *Southern Pacific Transp. Co.*, 625 F.2d 1242, 1245-46 & n.3 (5th Cir. 1980). Pronouncements of a state's highest court *are* the law of the state. *Erie Railroad Co.* v. *Tompkins*, 304 U.S. 64, 78, 79 (1938).

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22 Accordingly, the law of New York is no less protective of the right to seek judicial relief than analogous federal case law. If, however, New York law were to be read as penalizing the assertion of federal claims where federal law did not permit, or in an amount much larger than federal law would permit, a substantial issue of federal supremacy would arise. This Court has held that state courts cannot enjoin access to federal courts. *Donovan* v. *City of Dallas*, 377 U.S. 408 (1964). Nor can state law penalize the assertion of Federal claims. *Nash* v. *Florida Industrial Comm'n*, 389 U.S. 235 (1967).

Moreover, for state law to impose financial sanctions not subject to the "exceptional case" and "reasonableness" standards laid down by Congress in Section 35 would frustrate Congress' purpose to encourage trademark proprietors to enforce their rights. *See, e.g., Arkansas Louisiana Gas Co.* v. *Hall*, 453 U.S. 571, 584 (1981); *see also Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 231 (1964). Particularly is this so if state law authorizes punitive damages for asserting Lanham Act claims, since Section 35 expressly provides that a prevailing Lanham Act *plaintiff* is entitled only to compensation, "not a penalty."

Hence a federal court cannot, as the Second Circuit did, fail even to consider such a ruling and prefer one of its own interpretations of state law. And it cannot prefer a dictum in its own earlier case—or, for that matter, in an earlier state court case—to a later square holding by the highest state court. *See, e.g., Broussard* v. *Southern Pacific Transp. Co., supra*, 625 F.2d at 1245-46 & n.3. But that is just what the Second Circuit did here. 797 F.2d at 75, A8, citing *Zilg* v. *Prentice-Hall, Inc.*, 717 F.2d 671, 677-78 (2d Cir. 1983), *cert. denied*, 466 U.S. 938 (1984), and *Guard-Life Corp.* v. *S. Parker Hardware Mfg. Corp.*, 50 N.Y.2d 183, 191, 428 N.Y.S.2d 628, 632, 406 N.E.2d 445, 448 (1980).[23]

The Second Circuit's complete disregard of *Curiano* v. *Suozzi*, which was prominently cited by Universal, appears to be a deliberate refusal to consider an authoritative statement of applicable state law. This Court can, and should, prevent that from occurring.

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23 Even the dicta in *Zilg* and *Guard-Life* do not state that a complaint which is not found to be frivolous could be the premise for a "retaliatory lawsuit" such as *Curiano* condemned. Only the decisions in this case so hold.

## CONCLUSION

For the foregoing reasons, it is respectfully submitted that a writ of certiorari should issue to review the judgment of the United States Court of Appeals for the Second Circuit.

Dated: October 10, 1986

Respectfully submitted,

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